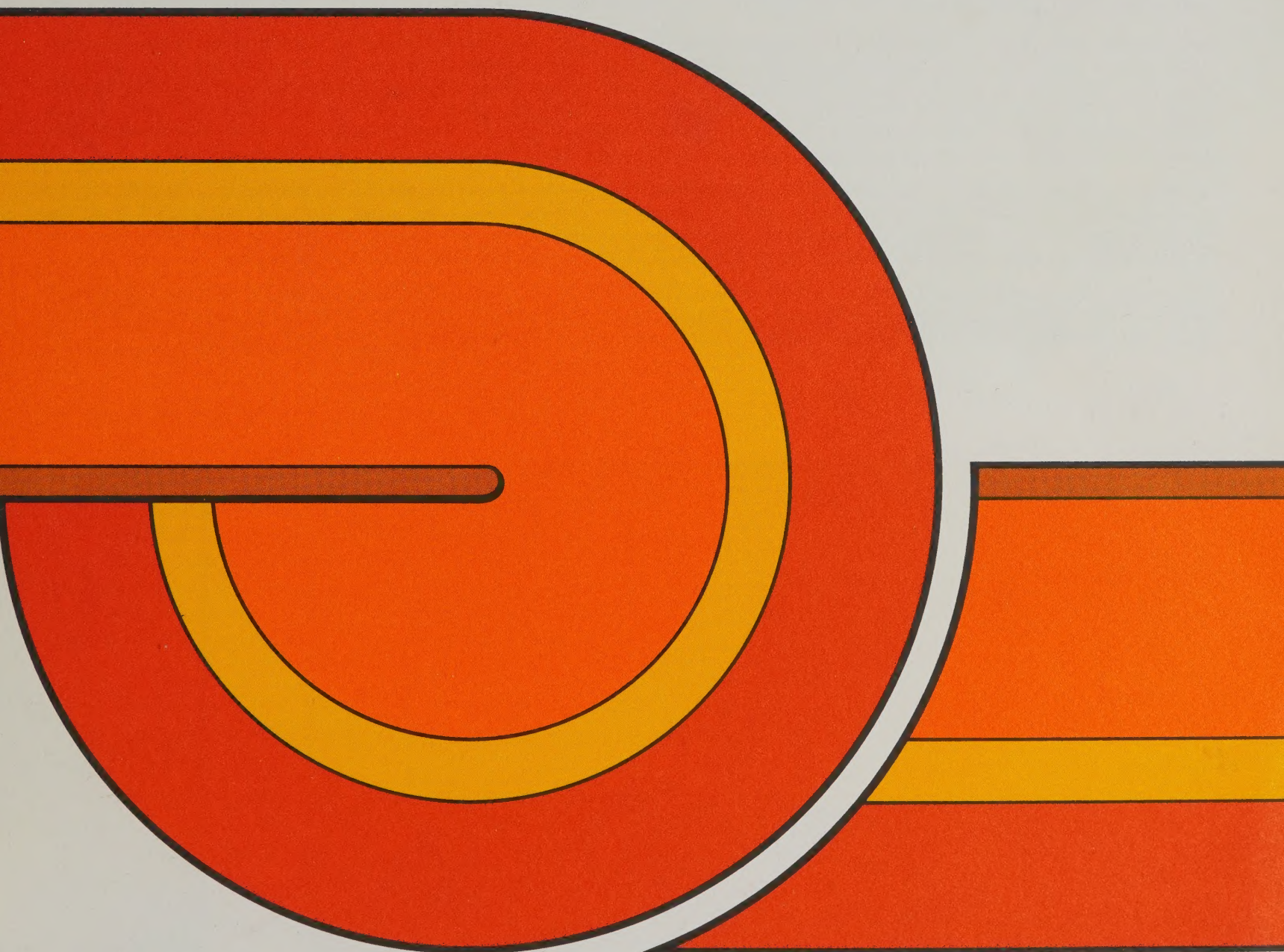
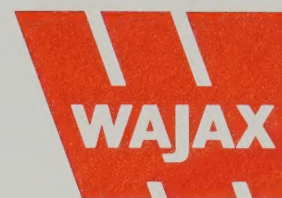


SEMI-ANNUAL REPORT for the six months ended June 30, 1974
RAPPORT SEMESTRIEL pour les six mois terminés le 30 juin 1974

AR42



TO THE SHAREHOLDERS:

Sales and earnings for the first six months of 1974 once again established new records, as the Company continued to enjoy a strong level of demand for its products. Consolidated gross revenues for the first half amounted to \$38,760,000, an increase of 28.5% over \$30,158,000 in the same period last year, while net profit at \$1,580,000 was up 62.9% from \$970,000. Earnings per share increased 61.4% from 70¢ to \$1.13.

A noteworthy aspect of these results is the improvement in profitability as a percentage of the sales dollar, which has now reached 8.1% (pre-tax) compared with 6.4% for the same period last year. Several factors have contributed to this change but the biggest single reason was the dramatic improvement in our Quebec-based distribution operations, which in the current year have made a contribution comparable in terms of such profitability with those of our other profit centres. As noted in previous reports, our Quebec operations were less than profitable in the late 1960's and remained marginal until late 1973; from that point on such operations began to feel the benefit of corporate re-organization which followed the acquisition of Smith Bros. and Mine Equipment Company, coupled with the significant improvement in the general economy of the Province.

The increase in profitability also stems in some measure from a general improvement in the product mix, an area which receives our constant attention, and the success of our vertical integration. By this we mean the expansion of our operations to include sources of supply for our distributing business, for example the manufacturing facilities of Smith Bros. and Chas. Niedner's Sons which have at their disposal our comprehensive distribution network.

All other operations participated in the growth of earnings. Although somewhat inhibited by extended deliveries from suppliers, the mining equipment, utility equipment and Diesel engine product groups made strong contributions under the influence of vigorous demand.

The Calgary operations of Waterous GM Diesel Limited have outgrown two additions to their existing plant in recent years, and in support of a favourable profit trend this subsidiary has contracted for new leased premises in an excellent location, scheduled for occupancy later this year. Another development, strengthening the position of our newly-formed Engineered Products group, is the emergence of agreement in principle with the related West German firms M.A.N (Maschinenfabrik Augsburg-Nürnberg) and GHH (Gutehoffnungshütte) for the distribution of a wide range of heavy custom-built engineering installations such as bucket-wheel excavators, mine hoists and steel-handling cranes.

Demand for the products of our Smith Bros. manufacturing operation has increased dramatically, and as a result we have experienced some material shortages and considerable pressure upon our personnel and production facilities. While the results are satisfactory and continued improvement is anticipated, it has been decided, to relieve this pressure, to defer indefinitely the added SKB manufacturing program mentioned in last year's semi-annual report.

The charts accompanying this report which reflect the 1973 sales breakdown illustrate graphically the diversified nature of the Company's operations by sales category, by territory and by end use market. Our strong presence in these, the growth markets of the future, inspires our confidence in the continuation of an upward profit trend.



Notwithstanding the general malaise characterizing the world economy, your Company's unfilled orders to the end of 1974 remain at record levels, high-lighting the prospect of a very profitable second half.

On behalf of the Board,

R.W. Chorlton

R. W. Chorlton,
President

August 21, 1974

AUX ACTIONNAIRES:

Les ventes et les bénéfices du premier semestre 1974 ont atteint des chiffres sans précédent, et la demande des produits de la Compagnie s'est maintenue à un niveau élevé. Les revenus bruts consolidés des six mois écoulés se sont situés à \$38,760,000, soit une augmentation de 28.5% sur les \$30,158,000 enregistrés pour la même période l'an dernier. Les profits nets ont augmenté de 62.9%, passant de \$970,000 à \$1,580,000, et les bénéfices par action se sont accrus de 61.4% pour atteindre \$1.13 en comparaison de 70¢ l'an dernier.

Ces résultats traduisent, entre autres, l'amélioration de la rentabilité exprimée en pourcentage du chiffre de ventes; il s'établit maintenant à 8.1% (avant impôts) en comparaison de 6.4% pour le premier semestre 1973. Plusieurs facteurs ont contribué à ce mouvement, mais la raison la plus importante est l'amélioration remarquable de notre entreprise de distribution basée au Québec; sa rentabilité, exprimée en pourcentage du chiffre de ventes, s'est située pour l'exercice en cours à un niveau comparable à celui de nos autres exploitations rentables. Comme nous l'avons souligné dans les rapports antérieurs, notre exploitation québécoise est restée au-dessous du seuil de rentabilité au cours des dernières années 60 et par la suite, jusqu'à fin 1973, sa marge bénéficiaire a été faible. La réorganisation effectuée à cette époque à la suite de l'acquisition de la Smith Bros. et de la Mine Equipment Company a profité à cette exploitation, de même que le relèvement important de l'économie générale de la province.

Dans une certaine mesure, l'augmentation de la rentabilité découle aussi de l'amélioration générale de l'éventail de nos produits, un domaine auquel nous accordons une attention constante, et d'une intégration verticale réussie. Par cette expression nous entendons l'expansion de notre exploitation de manière à ce qu'elle englobe des sources d'approvisionnement pour notre entreprise de distribution; ainsi, par exemple, les installations de fabrication de la Smith Bros. et de la Chas. Niedner's Sons ont à leur disposition notre vaste réseau de distribution.

Toutes les autres exploitations ont participé à l'accroissement des bénéfices. Bien que les retards de livraison de la part de certains fournisseurs aient causé quelques ennuis, les secteurs de l'équipement minier, de l'équipement pour les services d'utilité publique et des moteurs Diesel ont largement contribué à ces excellents résultats d'exploitation grâce à la forte demande de ces produits.

L'établissement de la Waterous GM Diesel Limited à Calgary est de nouveau à l'étroit en dépit des deux agrandissements effectués au cours de ces récentes années. Comme les perspectives de cette exploitation sont favorables, notre filiale a pris de nouveaux locaux à bail; ils sont très bien situés et la filiale les occupera vers la fin de l'année en cours. Un autre fait important pour la consolidation de notre groupe nouvellement établi des produits fabriqués sur commande, c'est l'accord de principe intervenu entre notre Compagnie et les deux maisons complémentaires M.A.N (Maschinenfabrik Augsburg-Nürnberg) et GHH (Gutehoffnungshütte), de l'Allemagne de l'Ouest, pour la distribution d'un vaste assortiment de machines lourdes hors série, comme les excavateurs à godets, les treuils de mine et les grues de manutention de l'acier.

La demande des produits de notre manufacture Smith Bros. a tellement augmenté que nous avons éprouvé une pénurie de certaines matières premières, sans compter la pression considérable que cette situation a exercée sur notre personnel et sur nos installations de production. Bien que les résultats soient satisfaisants et qu'on envisage une amélioration soutenue, on a décidé de reporter indéfiniment le programme supplémentaire de fabrication SKB, dont il était fait mention dans le rapport semestriel l'an dernier, afin de réduire cette pression.

Les graphiques figurant au présent rapport portent sur la répartition des ventes de 1973; ils illustrent bien la diversité des secteurs d'exploitation de la Compagnie, en représentant les ventes par catégorie, par territoire et par marché d'utilisation. Nous jouissons d'une solide position dans ces marchés d'avenir, ce qui motive la confiance avec laquelle nous envisageons que l'orientation en hausse des profits est appelée à se poursuivre.

Malgré le malaise général qu'éprouve l'économie mondiale, les commandes que votre Compagnie a à exécuter d'ici fin 1974 sont à un niveau record et laissent espérer pour le second semestre une exploitation très profitable.

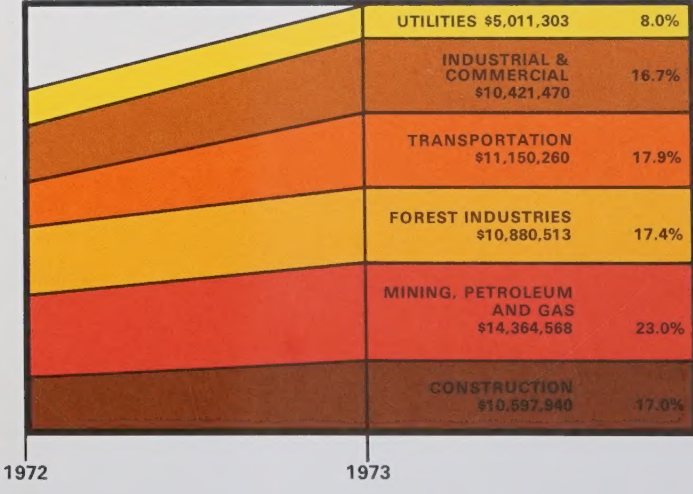
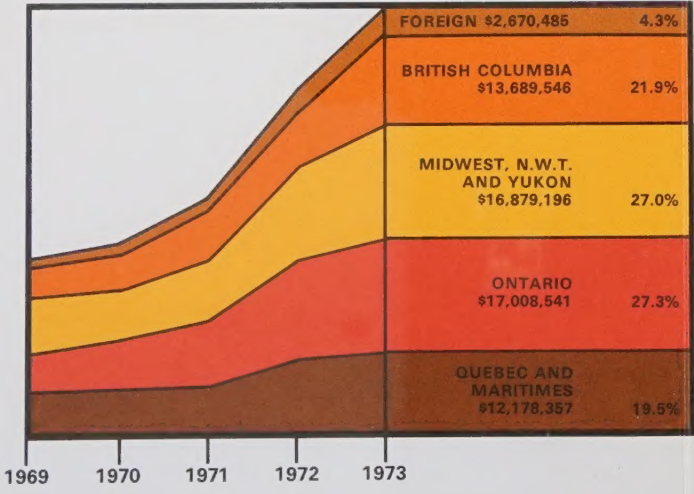
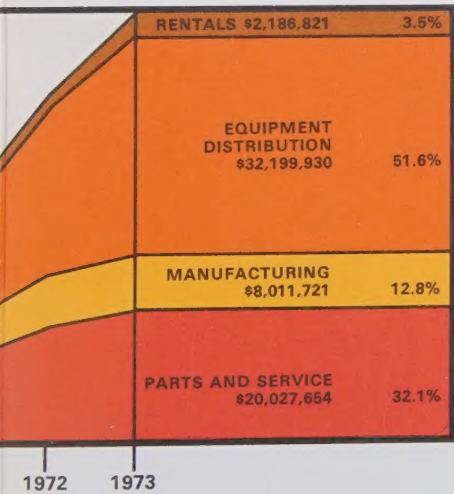
Au nom du conseil d'administration,

Le président,

R.W. Chorlton

R.W. Chorlton

le 21 août 1974



WAJAX LIMITED
CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

	6 months ended		3 months ended	
	June 30		June 30	
	1974	1973	1974	1973
	(000 omitted)			
Gross revenue	\$38,760	\$30,158	\$22,349	\$16,918
Earnings before the undernoted	3,345	2,101	2,082	1,229
Interest and amortization on long term debt	200	164	100	100
Earnings before income taxes	3,145	1,937	1,982	1,129
Income taxes	1,565	967	983	555
Net earnings for the period	\$ 1,580	\$ 970	\$ 999	\$ 574
Earnings per share	\$ 1.13	\$ 0.70	\$ 0.72	\$ 0.42
Weighted average number of shares outstanding	1,401,075	1,391,284		

NOTE: All figures are subject to year end audit and adjustments.

WAJAX LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (Unaudited)
for the six months ended June 30

	1974	1973
SOURCE OF FUNDS		
Net earnings for the period	\$ 1,580,072	\$ 970,149
Add charges not requiring outlay of funds:		
Depreciation and amortization of fixed assets	133,393	96,680
Amortization of debenture issue expenses	3,000	
Net earnings accruing to minority shareholders	11,500	
Increase in deferred income	43,752	6,073
Issue of common shares under stock option plan	15,165	16,200
Increase in long term debt		1,725,000
	\$ 1,786,882	\$2,814,102
APPLICATION OF FUNDS		
Purchase of fixed assets – net	410,890	283,269
Increase in (reduction of) long term notes and accounts receivable	6,836	(9,328)
Reduction of (increase in) long term notes payable	37,252	(190,759)
Cost incurred for the issuance of debentures		116,753
Dividends	420,314	347,986
	\$ 875,292	\$ 547,921
INCREASE IN WORKING CAPITAL	\$ 911,590	\$ 2,266,181
WORKING CAPITAL at June 30	\$13,603,561	\$12,439,726

NOTICE OF ANNUAL GENERAL MEETING

TAKE NOTICE that the Annual General Meeting of the Shareholders of Wajax Limited will be held at Room "A", Royal York Hotel, Toronto, Ontario, Canada, on Wednesday the 24th day of April, 1974, at 11:00 A.M., Eastern Standard Time.

BUSINESS OF ANNUAL MEETING

1. To receive and consider the Report of the Directors, the Consolidated Balance Sheet, Consolidated Statements of Earnings and of Retained Earnings, and of Source and Application of Funds, and the Auditors' Report for the year ended December 31st, 1973.
2. To elect Directors for the ensuing year.
3. To appoint Auditors, and to authorize the Directors to fix the remuneration of such Auditors for the ensuing year.
4. To transact such other business as may properly come before the Meeting.

Dated at Ottawa, Ontario, this 27th day of March, 1974.

By Order of the Board,

F.G. HARVEY,
Secretary

Entitlement to vote at the Meeting is restricted to shareholders of record on April 16th, 1974. If you cannot be personally present, you are requested to sign and return the attached Proxy to the Secretary, Wajax Limited, 2197 Riverside Drive, Ottawa, Ontario, K1H 7X3. Forms of Proxy to be used at this Meeting must be deposited with the Company before 11:00 A.M., Eastern Standard Time, on Tuesday, April 23rd, 1974. A stamped addressed envelope is enclosed for that purpose.

WAJAX LIMITED

Information Circular

(As at February 28th, 1974)

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation by the management of Wajax Limited (the "Company") of proxies to be used at the Annual General Meeting of Shareholders of the Company to be held on April 24th, 1974, for the purposes set forth in the Notice of Meeting. Solicitation will be by mail, supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders' nominees or agents for the costs incurred in obtaining from their principals authorization to execute forms of proxy. The entire cost of solicitation will be borne by the Company.

Voting Rights

As at February 28th, 1974, there were outstanding 1,399,646 common shares of the Company without nominal or par value divided into classes A and B, which rank equally for all purposes except entitlement to dividends, and are freely convertible from either class to the other on a share-for-share basis. Each of such shares is entitled to one vote per share. All shareholders of record on April 16th, 1974, are entitled to vote, and those desiring to appoint some other person to represent them at the meeting may do so either by striking out the names of proxies printed in the proxy form and inserting such other person's name in the blank space provided therein, or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company. Instruments of proxy, to be valid, must be deposited at the Head Office of the Company, 2197 Riverside Drive, Ottawa, Ontario, not less than twenty-four hours before the time fixed for the Meeting.

A shareholder who has given a proxy may revoke it by instrument in writing executed by him or by his attorney authorized in writing, and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. If the shareholder is a corporation, any such instrument of revocation shall be executed under its corporate seal or by a duly authorized officer or attorney of the corporation.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy are Directors of the Company, and will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them provided, however, that if the aggregate number of shares of the Company represented at the meeting by proxies required to be voted against a particular matter carries less than 5% of the voting rights attached to the shares of the Company represented at the meeting, the Chairman of the meeting will have the right not to conduct a vote by way of ballot on such matter unless a poll is demanded at the meeting. If no instructions are given, proxies will be voted for the election of directors and for the appointment of auditors, as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular the management of the Company knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

Election of Directors

The Board consists of ten Directors to be elected annually. Unless otherwise directed by the shareholder, the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom, with the exception of the last named, are now members of the Board of Directors and have been since the dates indicated. Col. O.H. Barrett, having reached the mandatory retirement age provided for in the Company's by-laws, will not be standing for re-election. The management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as Directors, all other positions and offices with the Company now held by them, their principal occupations or employment, the year in which they became Directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them:

Name	Principal Occupation or Employment	Date First Elected Director	Shares Beneficially Owned
IAN B. CAMPBELL, C.A. . . .	Vice-President and Chief Financial Officer of the Company. Partner in the firm of Campbell, Sharp, Nash & Field, Chartered Accountants.	July 24, 1964	21,850
R.W. CHORLTON	President and Chief Executive Officer of the Company.	Mar. 30, 1960	43,950
DEREK A. HANSON	Partner in the firm of Laing, Weldon, Courtois, Clarkson, Parsons, Gonthier & Tétrault, Barristers & Solicitors, Montreal.	Sept. 20, 1968	1,500
F.G. HARVEY	Vice-President and Secretary of the Company	May 8, 1970	11,500
THOMAS LOHNER, DIPLO. ING.	Industrialist	May 8, 1970	15,420
PETER PAUL SAUNDERS . .	President, Cornat Industries Limited *in addition to which there are 50,000 shares owned by Derston Investment Corporation Ltd., and 1,000 shares owned by Dorfran Investments Ltd., of which companies Mr. Saunders owns 50%.	July 15, 1959	9,000*
D.L. TORREY	Vice-President and Director, Pitfield, Mackay, Ross & . . . Company Limited, Investment Dealers.	July 31, 1963	2,000
J.W. WALKER, O.B.E., Q.C. .	Partner in the firm of McCarthy & McCarthy, Barristers & Solicitors, Toronto. Chairman of the Board of the Company.	Dec. 17, 1965	4,000
DAVID C.H. STANLEY . . .	Vice-President and Director, Wood Gundy Limited, Investment Dealers.	May 6, 1971	1,050
GOWAN T. GUEST	Partner in the firm of Alexander, Guest, Wolfe, Holburn . . & Beaudin, Barristers & Solicitors, Vancouver.	—	4,100

NOTE: The information as to shares beneficially owned, not being within the knowledge of the Management, has been furnished by the respective Directors individually. Mr. Guest has continued in his present occupation for more than five years.

Remuneration of Management

- The aggregate direct remuneration paid or payable by the Company and its subsidiaries to 8 senior officers as a group (4 of whom were Directors) during the financial year ended December 31, 1973, was \$412,711. The amount paid to 10 Directors on the same basis, in respect of their service as Directors, was \$39,600.
- The estimated aggregate cost to the Company and its subsidiaries in the financial year ended December 31st, 1973, of all pension benefits proposed to be paid under the Company's pension plan to the aforementioned senior officers was \$20,086. No pension benefits are payable to the Directors as such.

- (c) At the commencement of the Company's financial year which ended December 31, 1973, there were in effect options in favour of one officer of the Company to purchase 2,000 shares of the Company's common stock at a price of \$5.85 per share, and additionally in favour of five officers and thirteen employees of the Company and its subsidiaries to purchase a total of 24,800 shares of the Company's common stock at a price of \$9.00 per share.

At a meeting of the Board of Directors held on August 15th, 1973, a further option was granted in favour of an officer of a subsidiary of the Company to purchase 1,000 shares of the Company's common stock at a price of \$10.02 per share. The market range during the 30 days preceding August 15th, 1973, was from \$11.00 to \$11.50.

During the financial year ended December 31, 1973, the following options were exercised:

<u>Month Exercised</u>	<u>No. of Shares</u>	<u>Price</u>	<u>Market Price Range During Preceding 30 Days</u>	
April, 1973	300	\$9.00	\$10.00	\$11.375
May	1,500	9.00	10.25	11.875
October	200	9.00	12.00	12.75
November	2,000	9.00	14.25	12.375
December	1,100	5.85 }	10.50	13.75
	3,700	9.00 }		

After December 31, 1973, one further option was exercised on February 19, 1974, to purchase 100 shares at \$9.00 per share, the market range during the 30 days preceding such exercise having been from \$10.25 to \$12.00.

Appointment of Auditors

Unless otherwise directed by the shareholder, the persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Touche Ross & Co., Chartered Accountants, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Messrs. Touche Ross & Co. have been auditors of the Company since 1964. The Directors will also seek the customary authority to fix the remuneration of the auditors for the ensuing year.

Other Business

The management is not aware of any matters to come before the Meeting other than as set forth in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is intended that the persons named in the enclosed form of proxy will vote the same in accordance with their judgment on such matters.

By order of the Board,

F.G. HARVEY, Secretary.

DATED at Ottawa, Ontario, this 27th day of March, 1974